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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/818,483	03/27/2001	Ephraim Brian Finkelstein	HGT-201	9569
10037	7590	09/23/2005	EXAMINER	
MILDE & HOFFBERG, LLP 10 BANK STREET SUITE 460 WHITE PLAINS, NY 10606			HARBECK, TIMOTHY M	
			ART UNIT	PAPER NUMBER
			3628	

DATE MAILED: 09/23/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

## Office Action Summary

Application No.

09/818,483

Applicant(s)

FINKELSTEIN ET AL.

Examiner

Timothy M. Harbeck

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --  
Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

### Status

- 1) ☐ Responsive to communication(s) filed on 29 July 2005.
- 2a) ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

### Disposition of Claims

- 4) ☒ Claim(s) 1-34 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-34 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

### Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☒ The drawing(s) filed on 27 March 2001 is/are: a) ☒ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

### Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
  - ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

### Attachment(s)

- |  |   |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)  | 4) <input type="checkbox"/> Interview Summary (PTO-413)<br>Paper No(s)/Mail Date. _____ |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)                                   | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152)             |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)<br>Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____  |

### DETAILED ACTION

1. Claim 5 is amended
2. Claims 22-34 are new

### ***Claim Rejections - 35 USC § 102***

The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(e) the invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language.

Claims 1-5 and 7-19, and 21-27, 30 and 32-34 are rejected under 35 U.S.C.

102(e) as being anticipated by Silverman (U.S. Patent Number 5,924,082).

**Re claim 1:** Silverman discloses a negotiated matching system that “enables users to trade financial instruments and other types of instruments.” (column 3, lines 52-53) Silverman’s system comprises

- (a) a plurality of remote terminals (column 5, lines 36-37) having a user interface comprising a display (column 4, line 16) and a keyboard (column 12, line 53) and
- (b) a central processor (matching computer) for establishing communications between said trading terminals (column 5, lines 35-48)

wherein each of said trading terminals presents a hierarchal list (column 10, line 37-40) of trading options (e.g. repurchase agreements) and wherein a user at a trading terminal can select one of said trading options and communicate directly with a potential counterparty (column 4, lines 55-65).

**Re claim 2:** Silverman further discloses a system wherein a user remains anonymous until he communicates with a potential counterparty (column 4, lines 10-12).

**Re claim 3-4:** Silverman further discloses a system wherein the hierarchal list is filtered according to a user-defined criteria (column 4, lines 52-55). The examiner interprets sorting and filtering to be interchangeable functions, as they are not differentiated in the disclosure.

**Re claim 5:** Silverman further discloses a system wherein the central processor (matching computer) transmits information defining counterparty trading tickets upon successful conclusion of negotiation between counterparties (column 7, lines 64-65)

**Re claim 7:** Silverman further discloses a negotiated exchange for facilitating transactions between potential counterparties and enabling communication between the parties to negotiate the terms of the transaction, comprising:

A central computer (matching computer);

A plurality of remote terminals (column 5, lines 36-37)

corresponding to a plurality of users, said remote terminals

enabling said users to enter transaction data into the system; and

A communications network for transmitting negotiating messages between pairs of said remote terminals in response to control signals from a respective one of the remote terminals (column 5, 35-48);

Wherein a party associated with a transaction is anonymous until communication is established through said communications network, for transmitting negotiating messages (column 4, lines 10-12).

**Re claim 8:** Silverman further discloses a negotiated exchange wherein Said transaction data include ranking data whereby each user ranks potential counterparties based on objective criteria, said ranking data indicative of the extent to which the user wishes to deal with each potential counter party (column 14, lines 11-15)

**Re claim 9:** Silverman further discloses a negotiated exchange wherein negotiating messages are transmitted between said remote terminals comprise messages having a free style format (column 14, lines 16-19)

**Re claim 10:** Silverman further discloses a negotiated exchange wherein said remote terminals comprise messages having a predetermined format (column 14, lines 20-23)

**Re claim 11:** Silverman further discloses a negotiated exchange wherein said transaction data include ranking data whereby each user ranks potential counterparties based on subjective criteria, said ranking data indicative of the extent to which the user wishes to deal with each potential counter party (column 14, lines 24-28).

**Re claim 12:** Silverman further discloses a negotiated exchange wherein said negotiating messages transmitted between said remote terminals comprise free style electronic dialogue which is displayed on each user's remote terminal (column 14, lines 29-32)

**Re claim 13:** Silverman further discloses a negotiated exchange system wherein said electronic dialogue is unstructured, thereby permitting the parties to negotiate all terms of the transaction (column 14, lines 38-40)

**Re claim 14:** Silverman further discloses a transaction (e.g. repurchase agreement) method comprising a plurality of user terminals, each displaying a list of offers for a type of transaction, receiving from a user terminal a user entry portion for defining potential repurchase agreement terms, and communicating with a potential counterparty, based on an identification of a respective offer, through a negotiation communications interface (column 15, lines 22-35)

**Re claim 15-18:** Silverman further comprises a method wherein a record is communicated between at least two user terminals comprising particulars of a proposed transaction. Silverman calls these particulars "variable parameters," (column 17, lines 15-36) which, for a repurchase agreement would include an amount, a rate, a term and an identification of collateral.

**Re claim 19:** Silverman further comprises a method wherein the record further comprises a free form text field (column 18, lines 5-9).

**Re claim 21:** Silverman further comprises a method wherein a proposed modification of the particulars is extracted from the free form text field (column 12, lines 6-13)

**Re Claim 22:** Silverman further discloses a method wherein the rate is a funding rate distinct from an interest rate and a yield rate associated with the collateral (Column 7, lines 25-30). In the case of a repurchase agreement, the funding rate would represent either a firm or soft parameter as defined by the Silverman system. The user would specify that the rate is a funding rate distinct from an interest rate and a yield rate.

**Re Claim 23:** Silverman further discloses the step of identifying a potential counterparty during negotiation, and prior to consummation, of a repurchase agreement (Column 4, lines 10-12). Silverman discloses that the identity of the parties to the transaction is not revealed until just before a deal is struck, which means that this revelation occurs during negotiation.

**Re Claim 24:** Silverman further discloses the step wherein the repurchase agreement obligates at least one of a user and a counterparty to performance of an act after closing of the repurchase agreement, and therefore presents a risk of non-performance (Column 2 line 41- Column 3 line34). Silverman discloses that many counterparties to transactions have complex credit evaluating processes in place to determine risk associated with the trading partner. This occurs after a deal has been struck however the deal is contingent on the party gaining approval, and there is therefore a risk of non-performance.

**Re Claim 25:** Silverman further discloses the step in which the repurchase agreement is structured to permit a first party to effect a collateralized loan from a second party with nominal transfer of ownership of the security from the first party to the second party, wherein the repurchase agreement presents at least one of a risk of default by the first party or second party and a collateral value fluctuation risk, and wherein the communicating with the potential counterparty, through the negotiation communications interface, includes sufficient information to evaluate at least one of the default risk and the collateral value fluctuation risk, and to communicate collateralized loan terms (Column 3 line 65- Column 4 line 3). The system of Silverman provides for this type of complex and non-standardized exposure evaluation procedures through the negotiation feature of the invention.

**Re Claim 26:** Silverman further discloses the step of hierarchally sorting the list of offers according to at least one hierarchal sort criterion (Column 13-27). Silverman discloses that a user can sort and filter potential offers according to ranking and other transaction information. In this way, offers that are distinctly unacceptable are removed from the hierarchy.

**Re Claim 27:** Silverman further discloses the step of confirming a repurchase agreement by generating reciprocal trade tickets, for both a sale and a forward purchase transaction (Column 7, line 64-65).

**Re Claim 30:** Silverman further discloses the step wherein the record further comprises a right of substitution, margin, and collateral type (Column 7, lines 25-30). These types of things are common parameters in a trading environment and would



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therefore be reflected in either the firm or soft parameters defined and negotiated by the users.

**Re Claim 32:** Silverman further discloses the step of calculating a value and a yield of a security (Column 5, lines 1-7). The value (price) and yield of a security represent types of firm parameters disclosed by Silverman and have therefore been calculated in some manner.

**Re Claim 33:** Silverman further discloses the step wherein a displayed list of offers initially does not identify a counterparty (Column 8, lines 39-41), further comprising the step of, after receiving from the user potential repurchase agreement terms, identifying at least one during said communicating step (Column 8, lines 42-44).

**Re Claim 34:** Silverman further discloses the step of filtering the list of offers with respect to counterparty identification (Column 8, lines 28-31)

### **Claim Rejections - 35 USC § 103**

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

**Claim 6 is rejected under 35 U.S.C. 103(a) as being unpatentable over**

**Silverman in view of Kovlak (Management Accounting. Montvale: May 1986 Vol. 67, Iss. 11; pg. 52).**

Silverman discloses the claimed system supra except for the explicit disclosure wherein the plurality of trading terminals are segregated between dealers and investors.

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Kovlak teaches that in a repurchase agreement investors and dealers are the two parties involved in this type of transaction. It would therefore have been obvious to someone skilled in the ordinary art for a transaction involving a repurchase agreement, that interaction between a dealer and investor be segregated. Since this is an automated transaction system, the trading terminals must then be segregated between the dealers and investors.

**Claim 20** is rejected under 35 U.S.C. 103(a) as being unpatentable over Silverman in view of Chou (U.S. Patent Number 6,035,289).

Silverman discloses the claimed system supra except wherein a bid record is compared with an ask record to selectively indicate a difference therebetween. Chou teaches an electronic trading system wherein a method for a bid-ask matching function is disclosed that compares bid records with ask records for trading of financial instruments (column 2, line 39 – column 3, line 16). It would have been obvious for someone skilled in the ordinary art to apply the teachings of Chou to those of Silverman to form the basis for a method wherein the bid record and ask record of a repurchase agreement would be compared to discover any difference therebetween, and further negotiations could occur as needed.

**Claims 28 and 31** are rejected under 35 U.S.C. 103(a) as being unpatentable over Silverman.

**Re Claim 28:** Silverman discloses the claimed method 14 supra and while not explicitly disclosing the step of assessing a fee to at least one of the user and counterparty to a repurchase agreement based on a value of a transaction, it was well

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known in the art at the time of invention to charge users of a network site a fee for use of the system. It would have been obvious to someone skilled in the ordinary art at the time of invention to charge a fee for use of the Silverman system. One would be motivated to do so in order to raise capital to keep the site active and also profit from the endeavor.

**Re Claim 31:** Silverman discloses the claimed method 14 supra and while not explicitly disclosing the step of for at least one of an existing repurchase agreement and a party-counterparty pair, determining a net exposure in respect of one party against the other, and indicating a compensating margin transfer for the net exposure, Silverman does disclose that a benefit of the system is that these types of complex credit evaluation procedures are taken off line, implying that previous systems have in fact done so in an online environment (Column 5, line 8-15). Furthermore the margin transfer is easily incorporated and discovered as a firm or soft parameter in the negotiation phase of the Silverman invention (Column 7, lines 25-30).

**Claim 29** is rejected under 35 U.S.C. 103(a) as being unpatentable over Silverman in view of Lupien et al (hereinafter Lupien US Pat No 6,012,046).

Silverman discloses the claimed method supra but does not explicitly disclose the steps of defining a density profile and updating the density profile after a transaction. Lupien discloses a crossing network utilizing satisfaction density profile with price discovery features wherein a user enters orders in the form of a satisfaction density profile (see abstract). It would have been obvious to someone skilled in the ordinary art at the time of invention to include the teachings of Lupien to the disclosure of Silverman

to ensure that the overall outcome of the process has maximized the mutual satisfaction of the trader.

### ***Response to Arguments***

Applicant's arguments filed 7/29/2005 have been fully considered but they are not persuasive.

Applicants first argument deals with the difference between the terms ranked list and a hierarchal list. The applicant states that in a hierarchy "multiple objects may occupy a single level, and each level may be treated as a class. In contrast, in a ranked list, each object occupies a distinct position, and a rank position does not provide a classification of a plurality of objects occupying that position." Examiner disagrees with both applicant's semantics and implication that the Silverman reference does not disclose the use of a hierarchal list, as defined by the applicant. A rank does not imply that an entity (in this case a repurchase opportunity) occupies a distinct position, but rather it represents a position relative to other entities in an ordered group. It is very possible for multiple entities to have the same characteristics and therefore be ranked on the same level. That being said Silverman discloses the use of a hierarchal list as defined by the applicant. Referring to Column 10, lines 15-30; a user of the Silverman ranks opportunities based on the size of an entity (in this case a bank). The rankings are broken up into three broad categories and the entities are classed appropriately. In this particular case, used as a simple example, no two counterparties occupy the same rank, however if there were more counterparties than ranking classes, more than one

entity would have to occupy the same rank. The Silverman system uses this feature as a quick filter in eliminating obvious non-matches.

Applicants second argument regarding the anonymity of the counterparties during negotiation. Applicant states that the "Silverman reference maintain anonymity throughout negotiations, while according to the present invention a counterparty identification is employed as a part of the negotiations and represents a distinct and substantial difference." However, as noted by the applicant Silvermand discloses wherein "the identity of the parties to the transaction is not revealed until just before or at the time a deal has been struck." The emphasized portion of the previous sentence discloses that while anonymity can be maintained up until completion of a deal, it is not required. Furthermore, the Silverman system allows for negotiation using a free style dialog between potential trading parties and therefore identities could be disclosed at any time in the process.

Finally applicant argues that that the Silverman reference does not contain the language "receiving from a user terminal a user entry portion for defining potential repurchase agreement terms." Applicant points out that the Silverman reference uses a generic debt or equity trading terminal, however this does not provide enablement for a repurchase agreement trading terminal because theses systems do not support the handling and conveyance of a funding rate. However it is clear that the funding rate could simply be defined by the user as a firm or soft parameter in initial entry phase of the Silverman system (Column 7, lines 25-30), and would therefore assure the user that all potential trading parties would meet this parameter.

***Conclusion***

**THIS ACTION IS MADE FINAL.** Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.


Any inquiry concerning this communication or earlier communications from the examiner should be directed to Timothy M. Harbeck whose telephone number is 571-272-8123. The examiner can normally be reached on M-F 8:30-5:00.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Hyung S. Sough can be reached on 571-272-6799. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

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Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

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